

# Auditing Procedures Report

Instructions and MuniCodes

\*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* Solon Township	County* Leelanau	Type* Township	MuniCode* 451100
Opinion Date-Use Calendar* 9/23/08	Audit Submitted-Use Calendar* 9/30/08	Fiscal Year End Month* 03	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/> ?	18. Are there reported deficiencies?
<input type="checkbox"/> ?	19. If so, was it attached to the audit report?

General Fund Revenue:	? 213164
General Fund Expenditure:	? 268,657
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	? 32958
Governmental Activities Long-Term Debt (see instructions):	? -0-

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* JOHN	Last Name* TOBIN	Ten Digit License Number* 1101005221			
CPA Street Address* 400 E. Eighth St.	City* Traverse City	State* MI	Zip Code* 49686	Telephone* 231 947-0151	
CPA Firm Name* Tobin & Co., PC	Unit's Street Address* 9191 KASSON ST P.O. Box 253	Unit's City* CEDAR	Unit's Zip* 49621-0253		

# **Tobin & Co.**

Solon Township

Leelanau County, Michigan

Audit Report

For the Year Ended March 31, 2008

# **Tobin & Co.**

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INTRODUCTORY SECTION

# **Tobin & Co.**

## Comments and Recommendations

We have audited the basic financial statements and the individual fund financial statements of Solon Township, Leelanau County, for the year ended March 31, 2008 and have issued our report thereon. As part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Township's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

Our study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal control of Solon Township taken as a whole. As a result of our examination, we respectfully submit the following comments and recommendations.

### General

Records were maintained in good order by your Clerk and Treasurer. Recorded revenues were deposited intact, journals and ledgers were properly posted, Board minutes were maintained in proper order, bank account balances were reconciled by the Clerk and Treasurer, and supporting documents and follow-up procedures appeared to be in very good order. The efforts of these officials for 2007-2008 are commendable.

### Budgets and Procedures

The Township prepared and adopted budgets for its General Fund. There were no budgets passed for Special Revenue Funds since no expenditures were made during the year. Comparisons of year-to-date expenditures should be compared to budgets each month and budget amendments passed as necessary. Your Quickbooks software has this capability.

### Property Tax Collections

The collection and distribution of the 2007 tax levy was handled well by the Township Treasurer. Paid receipts were filed in order of payment. Deposits were made timely and intact. Distributions to taxing units during the collection period were in accordance with statutory requirements.

There is a schedule in the Supplemental Data Section which reflects the amount levied, collected and returned delinquent for the 2007 property tax levy.

### Capital Assets

Note 6 reflects the activity of capital assets during the audit year. An inventory of the capital assets should be performed annually. The GASB #34 reporting format requires that capital assets now be depreciated over their useful lives.

### Insurance and Surety Bond Coverage

Records indicate that the Township has insurance coverage for fire and extended coverage, general liability, errors and omissions, workmen's compensation, equipment and crime coverage. Board minutes indicate that coverage was reviewed during the audit year. The Clerk, Treasurer, and their deputies, as well as the Supervisor, have specific surety bond coverage.

### Payroll Procedures

Payroll procedures and filing of payroll tax returns were handled in a proper manner by the Township Clerk.

### Other Data

Surplus funds were invested during the year in interest bearing bank accounts. This practice resulted in earned interest of over \$5,600 for the year. We commend the Treasurer and other Board members for the practices and policies which resulted in this additional revenue.

After completion of our audit, we will submit the necessary copies of our report to the State Department of Treasury.

We appreciate the courtesy extended our field examiners in the conduct of this audit.

Your confidence is respected. Please contact us if questions arise or assistance is needed.

# **Tobin & Co.**

## FINANCIAL SECTION

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# Tobin & Co.

## REPORT OF INDEPENDENT AUDITOR

To the Township Board  
Solon Township  
Leelanau County  
Cedar, Michigan 49621

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Solon Township as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Solon Township, Leelanau County at March 31, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by Governmental Accounting Standards Board Statement 34. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Table of Contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements of Solon Township. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

*Tobin & Co., P.C.*

TOBIN & CO., P.C.  
Certified Public Accountants  
September 23, 2008

# Tobin & Co.

## Solon Township Management Discussion and Analysis Letter

As the Township Board of the Solon Township, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of Solon Township for the fiscal year ended March 31, 2008.

### Financial Highlights

The assets of Solon Township exceeded its liabilities at the close of the most recent fiscal year by \$188,653. Of this amount, \$32,958 may be used to meet the Township's ongoing General Fund obligations to citizens and creditors.

As of the close of the current fiscal year, Township's governmental funds reported combined ending fund balances of \$153,342, a decrease of \$51,934 in comparison with the prior year.

At the end of the current fiscal year, unreserved fund balance for the general fund was \$32,958, or 12% of total general fund expenditures.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Solon Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

**Government-wide financial statements:** The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Township's financial position is improving or deteriorating.

The statement of activities presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, earned but unused credits, and used but not paid expenses).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include: general government, public safety, road projects, and township improvements. The business-type activities of the Township include sewer and marina operations.

**Fund Financial Statements:** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Solon Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds:** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Solon Township maintains its individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statements of revenues, expenditures, and changes in fund balances for the General Fund, the Road Fund, and Fire Truck Replacement Fund, which are considered to be major funds. Non-major funds are Computer, Roof Repair, Sidewalk and DDA funds. All Township government activities are included in these three funds plus four non-major governmental funds.

The Township adopts an annual appropriated budget for its general fund and special revenue funds. Budgetary comparison statements have been provided for the general fund and other governmental funds to demonstrate compliance with this budget.



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**Notes to the financial statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## **General Fund Analysis and Highlights**

The General Fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the General Fund and the total fund balance was \$32,958. Unreserved fund balance represents 12% of total General Fund expenditures.

The fund balance of the Township's General Fund decreased by \$72,581 during the current fiscal year, principally due to expenditures of over \$100,000 for the sanitary sewer project.

The original budget and the final budget were identical. No increase or decrease in appropriations of the total budget was made during the year.

The total dollars spent in General Fund activities was \$61,465 more than appropriated.

For the most part, increases in expenses closely parallel inflation and growth in the demand for services.

As noted earlier, the Township used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

## **Capital Asset and Debt Administration**

**Capital assets:** The Township's investment in capital assets for its governmental activities as of March 31, 2008, amounts to \$30,885. This investment in capital assets includes: several parcels of land, Township hall, and park and other equipment. All of our government funds report capital outlays as expenditures. However, the cost of the assets is allocated over their useful lives in government-wide financial statements. This fiscal year the amount by which capital outlays exceeded depreciation was \$18,198.

**Cash Assets:** At the end of the current fiscal year, the Township had \$153,342 in cash and other spendable assets. Of this amount, over 90% was held in time deposits at banks and was earning interest. The Township is limited by State law in how it can invest these funds, and we have made no changes in our investment strategy in several years.

**Long-term Debt:** At the end of the current fiscal year, the Township had no bonded or installment debt outstanding.

**Pension Plan:** Township employees have the option of having the Township pay Social Security payments or to join our pension plan. The Township makes contributions equal to 7% of each participating employee's wage on behalf of each participating employee. This is an expensed item in the budget and totaled \$3,726 for the fiscal year.

## **Requests for Information**

This financial report is designed to provide a general overview of Solon Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Ms. Shirley Mikowski, Solon Township Clerk, P. O. Box 253, Cedar, MI 49621-0253.

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## Solon Township Statement of Net Assets March 31, 2008

<u>Assets</u>	Governmental Activities <u>And Total</u>
Cash and Cash Equivalents	\$ 153,342
Taxes Receivable	4,426
Capital Assets, Net of Depreciation	<u>30,885</u>
Total Assets	<u>188,653</u>
<u>Liabilities</u>	
Total Liabilities	<u>-</u>
<u>Net Assets</u>	
Invested in Capital Assets, Net of Related Debt	30,885
Unrestricted	<u>157,768</u>
Total Net Assets	<u>\$ 188,653</u>

See Accompanying Notes to Basic Financial Statements

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## Solon Township Statement of Activities March 31, 2008

Functions/Programs	<u>Expenses</u>	<u>Fees and Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Total</u>
Governmental Activities:				
Legislative	\$ 13,977	\$ -	\$ -	\$ (13,977)
General Government	81,736	-	-	(81,736)
Public Safety	31,742	1,960	-	(29,782)
Public Works	113,825	-	29,826	(83,999)
Recreation and Cultural	<u>9,179</u>	<u>-</u>	<u>-</u>	<u>(9,179)</u>
Total Governmental Activities	<u>\$ 250,459</u>	<u>\$ 1,960</u>	<u>\$ 29,826</u>	<u>(218,673)</u>
General Revenues:				
Property Taxes				50,174
Grants and Contributions Not Restricted to Specific Programs				106,090
Unrestricted Investment Earnings				5,607
Miscellaneous				<u>20,006</u>
Total General Revenues				<u>181,877</u>
Change in Net Assets				(36,796)
Net Assets – Beginning				<u>225,449</u>
Net Assets – Ending				<u>\$ 188,653</u>

See Accompanying Notes to Basic Financial Statements

Solon Township  
Balance Sheet  
Governmental Funds  
March 31, 2008

<u>Assets</u>	<u>General</u>	<u>Road Fund</u>	<u>Public Improvement Fund</u>	<u>Non-Major Funds</u>	<u>Total</u>
Cash in Bank	\$ 32,958	\$ 35,066	\$ 53,213	\$ 32,105	\$ 153,342
Taxes Receivable	<u>4,426</u>	-	-	-	<u>4,426</u>
Total	<u>\$ 37,384</u>	<u>\$ 35,066</u>	<u>\$ 53,213</u>	<u>\$ 32,105</u>	<u>\$ 157,768</u>

Liabilities and Fund Equity

Liabilities:

Deferred Revenue	\$ <u>4,426</u>	\$ -	\$ -	\$ -	\$ <u>4,426</u>
Total	<u>4,426</u>	-	-	-	<u>4,426</u>

Fund Equity:

Fund Balance – Unreserved	32,958	-	-	-	32,958
Fund Balance – Unreserved – Reported in Special Revenue Funds	-	<u>35,066</u>	<u>53,213</u>	<u>32,105</u>	<u>120,384</u>
Total	<u>32,958</u>	<u>35,066</u>	<u>53,213</u>	<u>32,105</u>	<u>153,342</u>
Total Liabilities and Fund Equity	<u>\$ 37,384</u>	<u>\$ 35,066</u>	<u>\$ 53,213</u>	<u>\$ 32,105</u>	

Amounts reported for governmental activities on the statement of net assets are different because:  
Capital and intangible assets used in governmental activities are not financial resources and therefore  
are not reported in the funds.

Property taxes receivable are deferred in the funds but not in the statement of net assets.

Net assets of governmental activities.					30,885
					<u>4,426</u>
					<u>\$ 188,653</u>

Solon Township  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended March 31, 2008

	General	Road Fund	Public Improvement Fund	Non-Major Funds	Total
<u>Revenues</u>					
Property Taxes	\$ 53,234	\$ -	\$ -	\$ -	\$ 53,234
Licenses and Permits	2,247	-	-	-	2,247
State Grants	135,916	-	-	-	135,916
Charges for Services	1,960	-	-	-	1,960
Interest and Rents	5,598	1,131	1,470	958	9,157
Other	14,209	-	-	-	14,209
Total	<u>213,164</u>	<u>1,131</u>	<u>1,470</u>	<u>958</u>	<u>216,723</u>
<u>Expenditures</u>					
Legislative	13,977	-	-	-	13,977
General Government	66,703	-	-	-	66,703
Public Safety	31,742	-	-	-	31,742
Public Works	113,825	-	-	-	113,825
Recreation and Cultural	9,179	-	-	-	9,179
Other	33,231	-	-	-	33,231
Total	<u>268,657</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>268,657</u>
<u>Excess Revenues (Expenditures)</u>	<u>(55,493)</u>	<u>1,131</u>	<u>1,470</u>	<u>958</u>	<u>(51,934)</u>
<u>Other Financing Sources (Uses)</u>					
Operating Transfers In	12,912	10,000	20,000	3,960	46,872
Operating Transfers (Out)	(30,000)	-	-	(16,872)	(46,872)
Total	<u>(17,088)</u>	<u>10,000</u>	<u>20,000</u>	<u>(12,912)</u>	<u>-</u>
<u>Excess Revenues (Expenditures) and Other Financing Sources (Uses)</u>	<u>(72,581)</u>	<u>11,131</u>	<u>21,470</u>	<u>(11,954)</u>	<u>(51,934)</u>
Fund Balance – Beginning of Year	<u>105,539</u>	<u>23,935</u>	<u>31,743</u>	<u>44,059</u>	
Fund Balance – End of Year	<u>\$ 32,958</u>	<u>\$ 35,066</u>	<u>\$ 53,213</u>	<u>\$ 32,105</u>	

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital asset purchases exceeded depreciation expense for the year.

18,198

Property taxes receivable are not deferred in the statement of net assets. This is the amount by which the receivable decreased during the year.

(3,060)

Change in net assets of governmental activities

\$ (36,796)

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## Solon Township Statement of Fiduciary Net Assets March 31, 2008

<u>Assets</u>	<u>Agency Funds</u>
Cash	\$ <u>1,303</u>
Total Assets	<u>1,303</u>
<u>Liabilities</u>	
Undistributed Taxes and Interest	<u>1,303</u>
Total Liabilities	<u>1,303</u>
Net Assets	<u>\$ -</u>

See Accompanying Notes to Basic Financial Statements

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Solon Township  
Notes to Financial Statements  
March 31, 2008

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Reporting Entity

Solon Township is a general law township located in Leelanau County, Michigan. Population as of the 2000 census was 1,547, and the current State equalized value and the taxable value is \$133,192,981 and \$78,850,616, respectively.

The Township's basic financial statements include the accounts of all Township operations. The criteria for including organizations within the Township's reporting entity, as set forth in GASB No. 14, "*The Financial Reporting Entity*" includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included.

Based on the above criteria, there are no other organizations included in these financial statements.

### B. Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Township. The effect of interfund activity, within the governmental activities column, has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

#### Fund Financial Statements:

The Township segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Township has presented the following governmental funds:

General Fund – This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Township. Revenues are derived primarily from property taxes, state distributions or grants, and other intergovernmental revenues.

Special Revenue Funds – These funds are used to account for specific governmental revenues (other than expendable trusts and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

#### Fiduciary Funds

These funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

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Solon Township  
Notes to Financial Statements  
March 31, 2008

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund and agency fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Township considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenue susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

### D. Budgets

The General Fund and Special Revenue Funds are under formal budgetary control. Budgets shown in the financial statements for these funds were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Township.

In the body of the financial statements and the required supplementary schedules, the Township's actual and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets for these funds were adopted to the activity or cost center level.

For budgetary purposes appropriations lapse at fiscal year end.

### E. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental columns or business-type activities in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest is capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$2,500 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Land Improvements	20 years
Buildings and Improvements	40 years
Vehicles	10 years
Furniture and Equipment	10 years
Office Equipment	5 years



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Solon Township  
Notes to Financial Statements  
March 31, 2008

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### F. Property Tax Procedures and Collections

Properties are assessed as of December 31 and the related property taxes become a lien the following July 1 and/or December 1. Real property taxes are collected by the Township Treasurer through February 28 of each year. As of March 1, uncollected real property taxes are returned delinquent to, and collected by, the County Treasurer. Personal property taxes remain the responsibility of the Township Treasurer to collect. It is the policy of the Township to record the real property taxes in the year of levy.

During the collection period prior to March 1, the Township Treasurer makes distribution of the property tax collections to the various taxing units (County, School District, etc.) as required by statute.

For the fiscal year the Township levied property taxes as follows:

	SEV	Taxable Value	Millage Rate
General Operating	\$133,192,981	\$ 78,850,616	.6184
Fire Protection	\$133,192,981	\$ 78,850,616	.4964

### G. Investments

The Township had no investments at March 31, 2008. Nearly all of the Township's cash was invested in bank certificates of deposit and in interest bearing accounts.

### H. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Township considers all short-term debt securities purchased with a remaining maturity of three months or less when purchased to be cash equivalents.

### I. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. We noted no material violations of legal provisions and/or contractual provisions of various agreements related to financial matters.
- B. All funds had positive fund balances at March 31, 2008.
- C. Public Act 621 of 1978, §18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. For the year ended March 31, 2008, four cost centers exceeded their budgets without formal budget amendment.

# **Tobin & Co.**

Solon Township  
Notes to Financial Statements  
March 31, 2008

## **NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS**

### **A. Legal Provisions for Deposits and Investments**

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, and Act 196, Public Acts of 1997, states that the Township, by resolution, may authorize the Treasurer to invest surplus funds as follows:

- (1) In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- (2) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).
- (3) In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase.
- (4) In repurchase agreements consisting of instruments defined in (1) above.
- (5) In bankers' acceptances of United States Banks.
- (6) In obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- (7) In mutual funds registered under the investment company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by local units of government in Michigan.

### **B. Types of Deposits and Investments**

The Township had \$396,290 deposited with local financial institutions at March 31, 2008 with a carrying value of \$166,215. Interpreting the FDIC insurance coverage of \$100,000 of demand deposits and \$100,000 of time deposits per financial institution, the Township had \$136,967 of uninsured deposits at March 31, 2008.

## **NOTE 4 - TAXES RECEIVABLE**

Taxes receivable consist of 2007 property taxes returned delinquent to the County Treasurer in March 2008.

## **NOTE 5 - LOANS AND TRANSFERS BETWEEN FUNDS**

During the year there were no transfers or loans between funds.

# Tobin & Co.

## Solon Township Notes to Financial Statements March 31, 2008

### NOTE 6 - CAPITAL ASSETS

	<u>03/31/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>03/31/08</u>
Governmental Activities:				
Land and Improvements	\$ 8,481	\$ 19,752	\$ -	\$ 28,233
Buildings and Improvements	26,349	-	-	26,349
Machinery and Equipment	5,750	-	-	5,750
 Total	 40,580	 19,752	 -	 60,332
 Less Accumulated Depreciation	 (27,893)	 (1,554)	 -	 (29,447)
 Governmental Activities Capital Assets, Net	 <u>\$ 12,687</u>	 <u>\$ 18,198</u>	 <u>\$ -</u>	 <u>\$ 30,885</u>

### NOTE 7- INVENTORIES

Solon Township does not maintain a substantial inventory of supplies or materials. Purchases are normally made as needed, and the items are recorded as expenses at time of purchase.

### NOTE 8 - PENSION PLAN

The Township has a defined contribution pension plan for Michigan Township employees through Municipal Retirement Systems, Inc. Listed below is a summary of the significant plan provisions adopted by Board resolution in July 1991:

#### A. Eligibility Requirements

1. Attained age of 18 and not more than 75.
2. No minimum service requirement.
3. All elected officials and full-time and part-time employees.

#### B. Contributions

1. 14% of annual compensation is funded annually – 7% by the Township and 7% by employees.
2. Compensation determined by the basic annual rate of compensation in effect at the beginning of the plan year.
3. Township pays 50% of required annual contribution.

#### C. Vesting

1. Contributions are vested to the employee immediately upon early retirement, termination of services, death, disability, or normal retirement at age 65.

#### D. Plan Administration

1. The plan is administered by the Township Clerk.

During the year ended March 31, 2008, the total Township contribution for the plan year (September 16, 2007 to September 15, 2008) was \$3,726. Covered payroll for the year was \$50,129 with total payroll for all employees of \$50,129. The plan was funded at the required contribution amount.

### NOTE 9 - COMPENSATED ABSENCES

Township employees do not earn compensated absences.

### NOTE 10- CONTINGENT LIABILITIES

Township management is aware of no contingent liabilities on the part of the Township.

# **Tobin & Co.**

Solon Township  
Notes to Financial Statements  
March 31, 2008

## **NOTE 11- RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the audit year the Township addressed these risks through the purchase of commereial insurance through Municipal Underwriters of Michigan and Burnham and Flowers Insurance Agency and Michigan Municipal League Workmen's Compensation Fund. There was no significant reduction of insurance coverage from prior years nor have the amounts of any settlements exceeded insurance coverage in any of the past three fiscal years.

SUPPLEMENTAL DATA SECTION

# Tobin & Co.

## Solon Township Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual General Fund For the Year Ended March 31, 2008

Schedule 1  
Page 1

<u>Revenues</u>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Taxes:				
Current	\$ 46,200	\$ 46,200	\$ 45,561	\$ (639)
Delinquent	4,000	4,000	7,673	3,673
Fire	37,000	37,000	35,586	(1,414)
Licenses and Permits	2,000	2,000	2,247	247
State Grants:				
State Shared Revenues	100,000	100,000	106,090	6,090
Sewer	-	-	29,826	29,826
Metro Act	3,000	3,000	3,670	670
Charges for Services	1,500	1,500	1,960	460
Interest and Rents				
Earned Interest	3,000	3,000	3,598	598
Rents and Royalties	1,500	1,500	2,000	500
Other:				
Refunds and Reimbursements	-	-	8,976	8,976
Miscellaneous	-	-	1,563	1,563
<b>Total Revenues</b>	<b>198,200</b>	<b>198,200</b>	<b>248,750</b>	<b>50,550</b>
<u>Expenditures</u>				
Legislative:				
Township Board:				
Salaries and Wages	-	-	5,120	-
Legal and Audit Services	-	-	4,150	-
Printing and Publishing	-	-	1,357	-
Travel, Office and Other Expenses	-	-	3,350	-
<b>Total</b>	<b>21,800</b>	<b>21,800</b>	<b>13,977</b>	<b>7,823</b>
<b>Total Legislative</b>	<b>21,800</b>	<b>21,800</b>	<b>13,977</b>	<b>7,823</b>
General Government:				
Township Supervisor:				
Salaries and Wages	-	-	9,810	-
Travel and Miscellaneous	-	-	533	-
<b>Total</b>	<b>10,810</b>	<b>10,810</b>	<b>10,343</b>	<b>467</b>
Elections:				
Salaries and Wages	-	-	2,165	-
Other Expenses	-	-	896	-
<b>Total</b>	<b>1,000</b>	<b>1,000</b>	<b>3,061</b>	<b>(2,061)</b>

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Solon Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund  
For the Year Ended March 31, 2008

Schedule 1  
Page 2

	<u>Budgeted Amounts</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u>
<u>Expenditures (Continued)</u>				<u>(Unfavorable)</u>
Assessor:				
Contracted Services	-	-	11,000	-
Supplies and Other Expenses	<u>-</u>	<u>-</u>	<u>2,061</u>	<u>-</u>
Total	<u>15,000</u>	<u>15,000</u>	<u>13,061</u>	<u>1,939</u>
Clerk:				
Salaries and Wages	-	-	11,200	-
Office Supplies	-	-	1,082	-
Telephone	-	-	770	-
Travel	-	-	42	-
Miscellaneous	<u>-</u>	<u>-</u>	<u>758</u>	<u>-</u>
Total	<u>15,200</u>	<u>15,200</u>	<u>13,852</u>	<u>1,348</u>
Board of Review:				
Salaries and Wages	-	-	713	-
Printing and Publishing	-	-	165	-
Other Expenses	<u>-</u>	<u>-</u>	<u>26</u>	<u>-</u>
Total	<u>1,300</u>	<u>1,300</u>	<u>904</u>	<u>396</u>
Treasurer:				
Salaries and Wages	-	-	11,960	-
Office Supplies	-	-	1,764	-
Telephone	-	-	654	-
Travel and Miscellaneous	<u>-</u>	<u>-</u>	<u>185</u>	<u>-</u>
Total	<u>17,960</u>	<u>17,960</u>	<u>14,563</u>	<u>3,397</u>
Township Hall and Grounds:				
Salaries and Wages	-	-	1,118	-
Professional Fees	-	-	150	-
Public Utilities	-	-	5,164	-
Maintenance and Repairs	-	-	1,985	-
Other	<u>-</u>	<u>-</u>	<u>120</u>	<u>-</u>
Total	<u>11,800</u>	<u>11,800</u>	<u>8,537</u>	<u>3,263</u>
Board of Appeals:				
Salaries and Wages	-	-	490	-
Printing and Publishing	-	-	143	-
Other Expenses	<u>-</u>	<u>-</u>	<u>465</u>	<u>-</u>
Total	<u>2,500</u>	<u>2,500</u>	<u>1,098</u>	<u>1,402</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Solon Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund  
For the Year Ended March 31, 2008

Schedule 1  
Page 3

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Expenditures (Continued)</u>				
General Government (Continued):				
Cemetery:				
Salaries and Wages	-	-	920	-
Maintenance and Repairs	-	-	364	-
Total	<u>3,000</u>	<u>3,000</u>	<u>1,284</u>	<u>1,716</u>
Total General Government	<u>78,570</u>	<u>78,570</u>	<u>66,703</u>	<u>11,867</u>
Public Safety:				
Fire Protection and Ambulance:				
Contractual Services	-	-	50,136	-
Total	<u>48,000</u>	<u>48,000</u>	<u>50,136</u>	<u>(2,136)</u>
Planning and Zoning:				
Salaries and Wages	-	-	13,398	-
Office Supplies	-	-	460	-
Printing and Publishing	-	-	240	-
Professional Fees	-	-	420	-
Travel	-	-	414	-
Other Expenses	-	-	2,260	-
Total	<u>26,700</u>	<u>26,700</u>	<u>17,192</u>	<u>9,508</u>
Total Public Safety	<u>74,700</u>	<u>74,700</u>	<u>67,328</u>	<u>7,372</u>
Public Works:				
Street Lights	9,000	9,000	6,238	2,762
Sewer	<u>16,000</u>	<u>16,000</u>	<u>107,587</u>	<u>(91,587)</u>
Total Public Works	<u>25,000</u>	<u>25,000</u>	<u>113,825</u>	<u>(88,825)</u>
Recreation and Culture:				
Parks and Recreation:				
Repairs and Maintenance	-	-	9,179	-
Total Recreation and Culture	<u>10,000</u>	<u>10,000</u>	<u>9,179</u>	<u>821</u>

The Notes to the Basic Financial Statements are an integral part of this statement.



# Tobin & Co.

Solon Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund  
For the Year Ended March 31, 2008

Schedule 1  
Page 4

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Expenditures (Continued)</u>				
Other:				
Insurance and Bonds	1,000	1,000	6,818	(5,818)
Pension, Social Security and Medicare	15,000	15,000	4,901	10,099
Capital Outlay	13,000	13,000	21,512	(8,512)
Contingency	<u>3,708</u>	<u>3,708</u>	<u>-</u>	<u>3,708</u>
Total	<u>32,708</u>	<u>32,708</u>	<u>33,231</u>	<u>(523)</u>
Total Expenditures	<u>242,778</u>	<u>242,778</u>	<u>304,243</u>	<u>(61,465)</u>
<u>Excess Revenues (Expenditures)</u>	<u>(44,578)</u>	<u>(44,578)</u>	<u>(55,493)</u>	<u>(10,915)</u>
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In	-	-	12,912	12,912
Operating Transfers (Out)	<u>-</u>	<u>-</u>	<u>(30,000)</u>	<u>(30,000)</u>
Total	<u>-</u>	<u>-</u>	<u>(17,088)</u>	<u>(17,088)</u>
<u>Excess Revenues (Expenditures) and Other Financing Sources (Uses)</u>	(1) <u>\$ (44,578)</u>	<u>\$ (44,578)</u>	<u>(72,581)</u>	<u>\$ (28,003)</u>
Fund Balance – Beginning of Year			<u>105,539</u>	
Fund Balance – End of Year			<u>\$ 32,958</u>	
(1) Budgeted from Fund Balance				

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Solon Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
Road Fund  
For the Year Ended March 31, 2008

Schedule 2

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Earned Interest	\$ -	\$ -	\$ 1,131	\$ 1,131
Total	-	-	1,131	1,131
<u>Expenditures</u>	-	-	-	-
Total	-	-	-	-
<u>Excess Revenues (Expenditures)</u>	-	-	1,131	1,131
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In	-	-	10,000	10,000
Operating Transfers (Out)	-	-	-	-
Total	-	-	10,000	10,000
<u>Excess Revenues (Expenditures) and Other Financing Sources (Uses)</u>	\$ -	\$ -	11,131	\$ 11,131
Fund Balance – Beginning of Year			23,935	
Fund Balance – End of Year			\$ 35,066	

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Solon Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
Public Improvement (Fire Truck) Fund  
For the Year Ended March 31, 2008

Schedule 3

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Earned Interest	\$ -	\$ -	\$ 1,470	\$ 1,470
Total	-	-	1,470	1,470
<u>Expenditures</u>	-	-	-	-
Total	-	-	-	-
<u>Excess Revenues (Expenditures)</u>	-	-	1,470	1,470
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In	-	-	20,000	20,000
Operating Transfers (Out)	-	-	-	-
Total	-	-	20,000	20,000
<u>Excess Revenues (Expenditures) and</u> <u>Other Financing Sources (Uses)</u>	\$ -	\$ -	21,470	\$ 21,470
Fund Balance – Beginning of Year			31,743	
Fund Balance – End of Year			\$ 53,213	

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Solon Township  
Combining Balance Sheet  
Non-Major Governmental Funds  
March 31, 2008

Schedule 4

<u>Assets</u>	Computer Equipment Fund	Roof Repair Fund	Sidewalk Fund	DDA Fund	Total
Cash and Cash Equivalents	\$ 13,543	\$ 5,810	\$ 11,618	\$ 1,134	\$ 32,105
Total Assets	<u>\$ 13,543</u>	<u>\$ 5,810</u>	<u>\$ 11,618</u>	<u>\$ 1,134</u>	<u>\$ 32,105</u>
<u>Liabilities and Fund Equity</u>					
Liabilities:					
Total	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Equity:					
Fund Balance – Unreserved	13,543	5,810	11,618	1,134	32,105
Total	<u>13,543</u>	<u>5,810</u>	<u>11,618</u>	<u>1,134</u>	<u>32,105</u>
Total Liabilities and Fund Equity	<u>\$ 13,543</u>	<u>\$ 5,810</u>	<u>\$ 11,618</u>	<u>\$ 1,134</u>	<u>\$ 32,105</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

## Solon Township Combining Statement of Revenues, Expenditures and Changes in Fund Balance Non-Major Governmental Funds March 31, 2008

Schedule 5

	Computer Equipment Fund	Roof Repair Fund	Sidewalk Fund	DDA Fund	Total
<u>Revenues</u>					
Earned Interest	\$ 608	\$ -	\$ 344	\$ 6	\$ 958
Total	608	-	344	6	958
<u>Expenditures</u>	-	-	-	-	-
Total	-	-	-	-	-
<u>Excess Revenues (Expenditures)</u>	608	-	344	6	958
<u>Other Financing Sources (Uses)</u>					
Operating Transfers In	-	-	3,960	-	3,960
Operating Transfers (Out)	-	(10,000)	(6,872)	-	(16,872)
Total	-	(10,000)	(2,912)	-	(12,912)
<u>Excess Revenues (Expenditures) and Other Financing Sources (Uses)</u>	608	(10,000)	(2,568)	6	(11,954)
Fund Balance — Beginning of Year	12,935	15,810	14,186	1,128	44,059
Fund Balance — End of Year	\$ 13,543	\$ 5,810	\$ 11,618	\$ 1,134	\$ 32,105

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Solon Township  
Statement of Changes in Assets and Liabilities  
Current Tax Collection Fund  
For the Year Ended March 31, 2008

Schedule 6

	Balance 3/31/07	Additions	Deductions	Balance 3/31/08
<u>Assets</u>				
Cash	\$ 2,066	\$ 1,703,312	\$ 1,704,075	\$ 1,303
Total Assets	\$ 2,066	\$ 1,703,312	\$ 1,704,075	\$ 1,303
<u>Liabilities</u>				
Undistributed Taxes and Interest	\$ 2,066	\$ 1,703,312	\$ 1,704,075	\$ 1,303
Total Liabilities	\$ 2,066	\$ 1,703,312	\$ 1,704,075	\$ 1,303

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

## Solon Township 2007 Property Tax Levy and Collections For the Year Ended March 31, 2008

Schedule 7

	<u>Millage Rate</u>	<u>Adjusted Levy</u>	<u>Collected</u>	<u>Returned Delinquent</u>
County Tax	3.5958	\$ 330,793	\$ 313,112	\$ 17,681
County Seniors	0.2421	19,086	17,353	1,733
County Road	0.4916	38,758	35,242	3,516
County BATA	0.3283	25,882	23,534	2,348
School District – Glen Lake				
Operating	15.0696	212,027	195,602	16,425
Debt	1.1500	36,836	34,044	2,792
Sinking	0.9852	31,475	29,166	2,309
School District – Traverse City				
Operating	18.0000	197,922	172,229	25,693
Debt	3.1000	145,131	130,489	14,642
Intermediate School District				
TBA	2.9334	231,302	210,320	20,982
State Education	6.0000	472,397	450,692	21,705
Township:				
General	0.6184	48,760	44,334	4,426
Fire	0.4964	39,136	35,586	3,550
Recycling		<u>13,450</u>	<u>11,609</u>	<u>1,841</u>
Total		<u>\$ 1,842,955</u>	<u>\$ 1,703,312</u>	<u>\$ 139,643</u>
State Equalized Value		\$133,192,981		
Taxable Value		\$ 78,850,616		
Percent of Levy Collected		92.42%		

The Notes to the Basic Financial Statements are an integral part of this statement.

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# Tobin & Co.

To the Township Board  
Solon Township  
Leelanau County  
Cedar, Michigan 49621

We have audited the financial statements of Solon Township for the year ended March 31, 2008 and have issued our report thereon dated September 23, 2008. Professional standards require that we provide you with the following information related to our audit.

## Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated February 20, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable but not absolute assurance, and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist but not be detected by us.

As part of our audit, we considered the internal control of Solon Township. Such consideration was solely for the purpose of determining our audit procedures and to provide any assurance concerning such internal control. However, in addition to our comments and recommendations and notes to the financial statements, certain items regarding the control procedures of the Township came to our attention, and we wish to address these at this time.

## Internal Control

In planning and performing our audit, we considered the internal control over financial reporting of the Township as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.



## **Tobin & Co.**

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected by the internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider each of the following significant deficiencies to be a material weakness.

### Segregation of Duties

A properly designed system of internal control segregates the accounting responsibilities from employees who have access to physical assets such as cash, investments and payroll, from authorization and approval of transactions and account reconciliations. The small size of the Township administrative staff precludes a complete segregation of duties resulting in more than a remote risk that material misstatements could occur and not be detected in the normal course.

### Reporting Financial Data

The above definition of a significant deficiency includes any condition that adversely affects the ability to report financial data in accordance with generally accepted accounting principles ("GAAP"). As a matter of convenience, the Township has always relied upon its auditors to prepare financial statements and related notes and supplemental schedules for external reporting in accordance with GAAP. As a consequence, the Township has not developed the tools and resources necessary to enable its employees to prepare reports in conformity with GAAP in the normal course of performing their assigned functions. The Township has committed the resources necessary to meet its internal reporting needs. In this regard, it is not unlike many other townships of its size.

### Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Solon Township are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended March 31, 2008. We noted no transactions entered into by the Township during the year that were both significant and unusual and of which, under professional standards, we are required to inform you, or transaction for which there is a lack of authoritative guidance or consensus.

# **Tobin & Co.**

## Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. However, none of management's estimates are considered to be particularly sensitive.

## Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township, either individually or in the aggregate, indicates matters that could have a significant effect on the Township's financial reporting process.

## Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

## Consultations with Other Independent Accountants

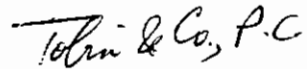
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

## **Tobin & Co.**

### Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

This information is intended solely for the use of the Township Board and management of Solon Township and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Tobin & Co., P.C." in a cursive, slightly slanted script.

Tobin & Co., P.C.

September 23, 2008